

PAPERS LAID No	93
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**Report of the  
Auditor-General (Corporations)  
on the  
Accounts of Local Authorities  
Provident Fund for the Year  
Ended 30th June, 1992**

1907

1908

1909

1910

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Provident Fund for the Year  
Ended 30th June, 1992

**REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF  
LOCAL AUTHORITIES PROVIDENT FUND FOR THE YEAR ENDED 30 JUNE 1992**

I have examined the Balance Sheet, the Control Account and the Income and Expenditure Account of the Local Authorities Provident Fund for the year ended 30 June 1992 in accordance with the provisions of the Exchequer and Audit Act, (Cap 412). I have obtained all the information and explanations that I have required for the purpose of the audit. Proper books of account have been kept by the Fund and the accounts are in agreement therewith and comply with the Local Authorities Provident Fund Act, (Cap 272).

Subject to the reservations set out here below, in my opinion, the accounts, when read together with the notes thereon, give a true and fair view of the financial position of the Fund as at 30 June 1992 and of its surplus over expenditure for the year ended on that date.

1. **NON-REMITTANCE OF CONTRIBUTIONS BY LOCAL AUTHORITIES**

As previously reported, various Local Authorities have not been remitting monthly contributions to the Fund. During the year under review, some twenty four Local Authorities listed in Note 2 to the accounts failed to submit their monthly Schedules of contributions (P.F.2 forms). Consequently, the actual outstanding contributions as at 30 June 1992 could not be determined.

2. **EXCESS INCOME OVER EXPENDITURE**

Section 12 (c) of Local Authorities Provident Fund Act, (Cap 272) stipulates that any balance of the profit and loss account after paying contributions funds and interests should be shared among the remaining contributors by crediting respective accounts at the end of the financial year. The Fund did not share the surplus profit of KShs. 4,209,866.00 but instead the amount was transferred to Reserve Fund which totalled KShs. 45,011,505.00 as at 30 June 1992. The Fund was, therefore, in breach of the law.

3. **FAILURE TO CALCULATE INTEREST ON SOME CARDS**

The Fund has not calculated interest on more than three hundred cards amounting to more than KShs. 765,000.00 for people who have left employment and the Fund has been unable to trace the people to whom interest is payable in order to make payments as required by Section 13 of Local Authorities Provident Fund Act, (Cap 272). The reserve Fund which totalled KShs. 45,011,505.00 as at 30 June 1992 is, therefore, overstated with the interest which was supposed to be credited to the contributors' accounts.

4. **ADMINISTRATION EXPENSES RECEIVABLE**

The Local Authorities have not paid to the Fund Management and administration expenses in accordance with Section (4) of Local Authorities Provident Fund Act, (Cap 272). The amount outstanding had accumulated to KShs. 2,146,959.00 at 30 June 1992 and no provision has been made in these accounts against the possibility of being uncollectable.

**A. J. OKOTH**  
**AUDITOR-GENERAL (CORPORATIONS)**

**LOCAL AUTHORITIES PROVIDENT FUND  
ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 1992**

**PROVIDENT FUND CONTROL ACCOUNT**

	Notes	1991/92 <u>KShs.</u>	1990/91 <u>KShs.</u>
Balance brought forward	3	47,001,613	45,981,327
Local Authorities Contribution		5,150,748	5,072,164
Interest Credited to Contribution		<u>3,654,751</u>	<u>3,454,977</u>
		55,807,112	54,508,468
Refund of Contribution		<u>9,344,589</u>	<u>7,518,464</u>
		<u>46,462,523</u>	<u>46,990,004</u>

**INCOME AND EXPENDITURE ACCOUNT**

**INCOME**

Investment interest	4	9,297,697	8,317,029
Expenditure recharged to Local Authorities	5	478,323	397,181
Miscellaneous Income	6	33,690	22,825
Profit on Gvt. Stock	7	<u>4,230</u>	<u>4,230</u>
		9,813,940	8,741,265

**EXPENDITURE**

Interest Credited to Contribution		3,654,751	3,454,977
Staff Salaries and allowance		348,548	347,845
Sundry Expenses		115,031	32,432
Board members allowances		4,744	6,904
Audit fees		10,000	10,000
Provision for Bad Debts	8	<u>1,471,000</u>	<u>735,500</u>
		5,604,074	4,587,658
Surplus for the year		4,209,866	4,153,607
Surplus brought forward	9	<u>40,801,639</u>	<u>36,659,641</u>
Surplus carried forward		<u>45,011,505</u>	<u>40,813,248</u>

**BALANCE SHEET AS AT 30TH JUNE 1992**

<b><u>CURRENT ASSETS</u></b>	<b><u>Notes</u></b>	1991/92 <u>KShs.</u>	1990/91 <u>KShs.</u>
Cash at Bank		2,788,866	1,195,881
Short Term Deposits	10	57,648,184	63,836,677
Sundry Debtors			
- Interest receivable	11	4,851,265	5,099,383
- Administrative Expenses receivable		2,146,959	1,608,154
- Profit on Govt. Stock receivable		83,366	79,136
Short term deposits	12	<u>11,978,000</u>	<u>13,449,000</u>
<b>Total Current Assets</b>		<b><u>79,496,640</u></b>	<b><u>85,268,231</u></b>
<b><u>CURRENT LIABILITIES</u></b>			
Provision of Audit fees		33,750	23,750
Staff Secondment Cost		598,696	326,457
Machakos M.C. Adm. Expenses		<u>4,322</u>	<u>4,785</u>
<b>Total Liabilities</b>		<b><u>636,768</u></b>	<b><u>354,992</u></b>
<b>Net Current Assets</b>		<b>78,859,872</b>	<b>84,913,239</b>
Long Term Investments	13	<u>12,614,156</u>	<u>2,890,013</u>
		<u>91,474,028</u>	<u>87,803,252</u>
<b>FINANCED BY:</b>			
Provident Fund Control Account		46,462,52	46,990,004
Reserve Fund		<u>45,011,50</u>	<u>40,813,248</u>
		<b><u>91,474,028</u></b>	<b><u>87,803,252</u></b>

**J.K. Arap Lesiew  
(CHAIRMAN)**

**Milcah W. Thairu (Miss)  
(SECRETARY)**

**LOCAL AUTHORITIES PROVIDENT FUND BOARD**

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1992

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### (a) **Accounting Convention**

The accounts have been prepared under the historical cost convention.

#### (b) **Income Recognition**

Interest is recognised in the income and expenditure account as it accrues.

### 2. NON-REMITTANCE OF CONTRIBUTION BY LOCAL AUTHORITIES

It has been difficult to establish the outstanding provident fund contributions because of non-submission of monthly schedules of contributions (P.F.2 forms) and also non-remission of members contributions to the Fund. The following councils had not responded to our numerous correspondence regarding the matter:-

1. Kajiado Urban Council	-	July 1987 - June 1992
2. Kakamega Municipal Council	-	July 1985 - June 1992
3. Garissa Town Council	-	July 1989 - June 1992
4. Homa Bay Urban Council	-	Jan. 1975 - June 1992
5. Kitale Municipal Council	-	Jan. 1990 - June 1992
6. Tala/Kangundo Urban Council	-	July 1990 - June 1992
7. Kisii Municipal Council	-	Jan. 1983 - June 1992
8. Taita Taveta County Council	-	Jan. 1988 - June 1992
9. Kirinyaga County Council	-	July 1988 - June 1992
10. Kakamega County Council	-	July 1989 - June 1992
11. Nakuru County Council	-	Dec. 1990 - June 1992
12. South Nyanza County Council	-	Jan. 1970 - June 1992
13. Olkejuado County Council	-	July 1983 - June 1992
14. Pokot County Council	-	Jan. 1984 - June 1992
15. Kilifi County Council	-	Jan. 1983 - June 1992
16. Wajir County Council	-	Jan. 1983 - June 1992
17. Isiolo County Council	-	July 1987 - June 1992
18. Kitui County Council	-	Mar. 1983 - June 1992
19. Kipsigis County Council	-	Jan. 1989 - June 1992
20. Nzoia County Council	-	Jan. 1990 - June 1992
21. Kwale County Council	-	Jan. 1990 - June 1992
22. Gusii County Council	-	July 1988 - June 1992
23. Elgeyo Marakwet C. Council	-	June 1987 - June 1992
24. Voi Town Council	-	Jan. 1990 - June 1992

3. **PROVIDENT FUND CONTROL ACCOUNT**  
**BALANCE BROUGHT FORWARD - KSHS. 47,001,613**

The above amount of Accumulated Members fund has been adjusted with KShs. 11,609 being interest accrued for members of Laikipia County Council which was not charged in the previous financial years.

Balance carried down (1990)	KShs. 46,990,004
Laikipia C.C. Interest to contributions - 1989/90	KShs. 5,138
,, - 1990/91	KShs. <u>6,471</u>
Balance brought forward 1991/92	KShs. <b>47,001,613</b>

4. **INVESTMENT INCOME - KSHS. 9,297,697**

The above amount represents interest earned on Treasury Bills, Short Term deposits and Long Term Government Securities.

5. **EXPENDITURE INCURRED DURING THE YEAR**

There is an expenditure of KShs. 442,976 incurred during the accounting period of staff salaries, office stationery, Board members allowances and other miscellaneous expenses.

The expenditure was recharged to various local authorities in accordance with Section 4(4) of the Local Authorities Provident Fund Act Cap 272.

6. **MISCELLENEOUS INCOME - KSHS. 33,690**

The above amount represent interest charged to Local Authorities for late remittance of contributions of retiring contributors.

7. **PROFIT ON GOVERNMENT STOCK - KSHS. 4,230**

The amount is part of income for Government stock purchased in 1973 at KShs. 890,013 and having a nominal value of KShs. 1,000,000.

8. **PROVISIONS FOR BAD DEBTS - KSHS. 1,471,000**

This is a provisions of 10% of KShs. 1,471,000 for deposits held in privately owned financial institution under receivership and financially troubled institutions.

9. **SURPLUS BROUGHT FORWARD - KSHS. 40,801,639**

The amount has been adjusted with KShs. 11,609 being interest accrued for members of Laikipia County Council and not charged in the previous financial years.

Surplus carried forward (1990/91)		KShs. 40,813,248
Laikipia C.C. Interest credited to Contributions - 1989/90	KShs. 5,138	
.. - 1990/91	KShs. <u>6,471</u>	11,609
Surplus brought forward 1991/92		KShs. <b>40,801,639</b>

10. **SHORT TERM INVESTMENT - KSHS. 57,648,184**

The above amount is short-term investment in form of Treasury Bills, deposits with Government financial institutions and public owned institutions. The deposits range from ninety (90) days to twelve months.

11. **INTEREST RECEIVABLE - KSHS.4,851,265**

The amount is in respect of interest on deposits which was due during the accounting period but not received as at 30th June, 1992.

12. **SUNDRY DEBTORS - SHORT TERM DEPOSITS - KSHS. 11978000**

This is the amount of deposits held in privately owned financial institutions under receivership and financially troubled institutions after providing a provision of 10% of Bad and doubtful debts.

13. **LONG-TERM INVESTMENTS - KSHS. 12,614,156**

(a)The Government Stock

	<u>Expiry Date</u>	<u>Nominal Value</u>	<u>Cost</u>
(1)6.25% Kenya Stock	15/10/98	1,000,000	890,013
(2)10% Kenya Stock	30/9/2010	<u>2,000,000</u>	<u>2,000,000</u>
		3,000,000	<u><b>2,890,013</b></u>

(b)Amount held in Consolidated Bank and converted to Equity **9,724,143**

Total Investments at Cost **12,614,156**

**N.B.** Shares Certificates from Consolidated Bank not received